

*AIR FORCE  
REDUCTION IN  
TOTAL OWNERSHIP COST  
PROGRAM*



**Col Scoop Cooper**  
**10 May 1999**

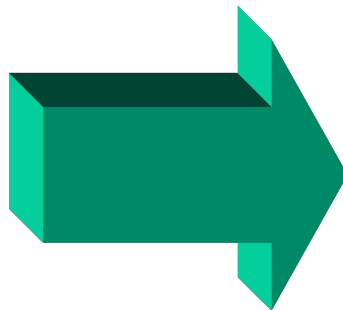
# *WHY IS TOC IMPORTANT?*

“ As to government expenditures, those due to broken down chariots, worn-out horses, armor and helmets, arrows and crossbows, lances, hand and body shields, draft animals and supply wagons will amount to 60% of the total.”

**Sun Tzu, *The Art of War*, 6th Century B.C.**

# VISION

*Reducing Total Ownership  
Cost While Meeting the  
Warfighters Needs*



# *OVERVIEW*

- WHAT IS TOTAL OWNERSHIP COST (TOC)?
- WHY WE NEED R-TOC
- AF R-TOC OBJECTIVES

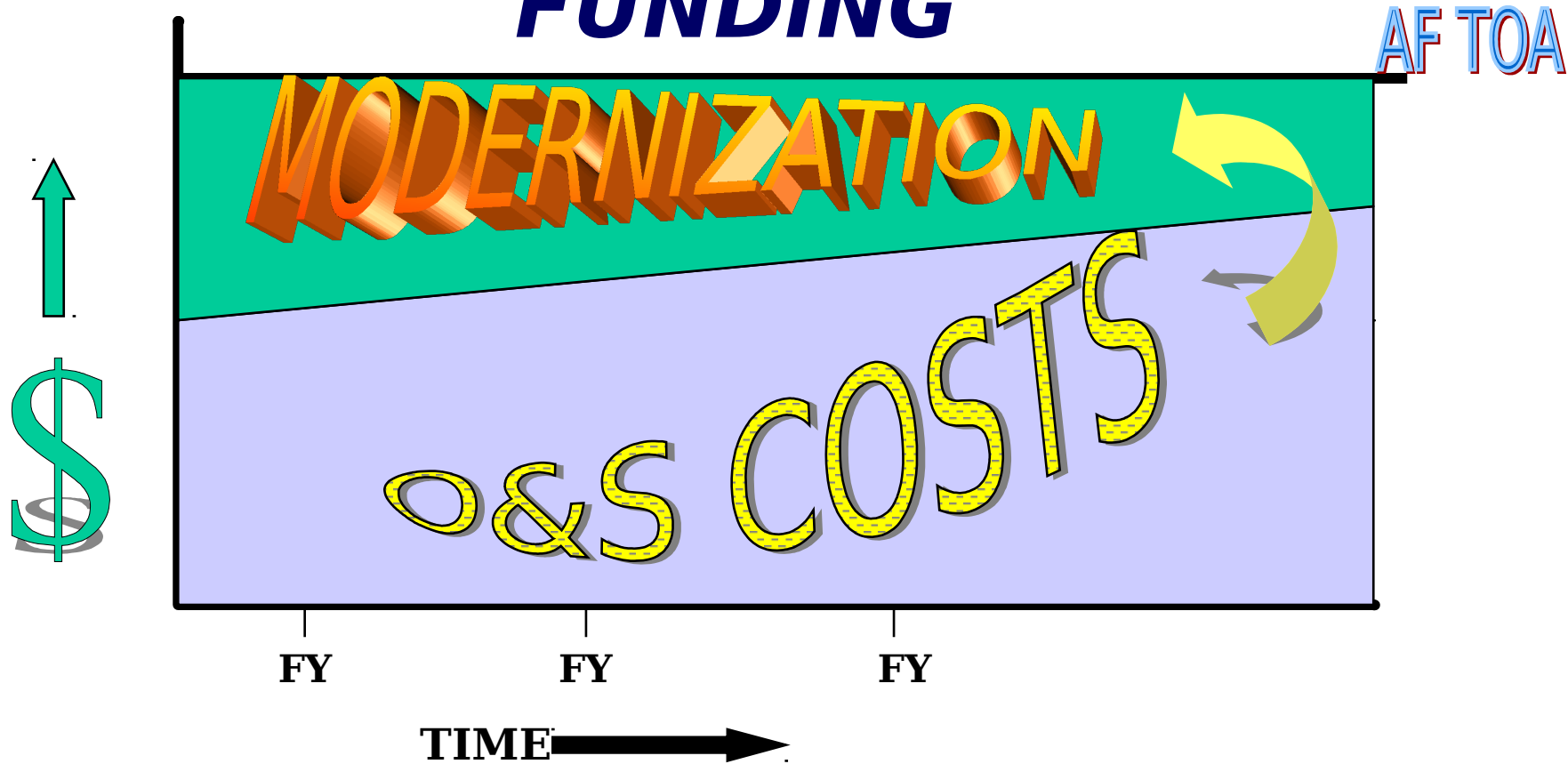
# ***TOC DEFINED***

**DoD TOC is comprised of costs to research, develop, acquire, own, operate, train, and dispose of weapon and support systems, other equipment and real property, the costs to recruit, train, retain, separate and otherwise support military and civilian personnel, and all other costs of business operations of**

# ***DEFENSE SYSTEMS TOC DEFINED***

Defense Systems (as defined in DoDD 5000.1) Total Life Cycle Cost (LCC) (as defined in DoD 5000.4M) includes not only acquisition program direct costs, but also indirect costs attributable to the acquisition program (I.e., costs that would occur if the program did not exist). For example, indirect costs would include the infrastructure that plans, manages and executes a program over its full life and common support items and systems.

# O&S COST INCREASES CUT INTO MODERNIZATION FUNDING



# *AIR FORCE R-TOC PRIMARY OBJECTIVES*

## **1. Cost Control**

- Capture and arrest cost growth

## **2. Cost Reduction**

- Reduce cost; capture savings

## **3. Invest to Modernize**

**CHALLENGE: COMBINE WARFIGHTER FOCUS  
WITH BUSINESS “BOTTOM  
APPROACH**

# ***THE THREE DIMENSIONS OF AF TOC***

DIMENSION 1

**WEAPON SYSTEM  
PERFORMANCE & DESIGN**

*RDT&E Procurement, Spares,  
POL, Modifications, Disposal*

DIMENSION 2

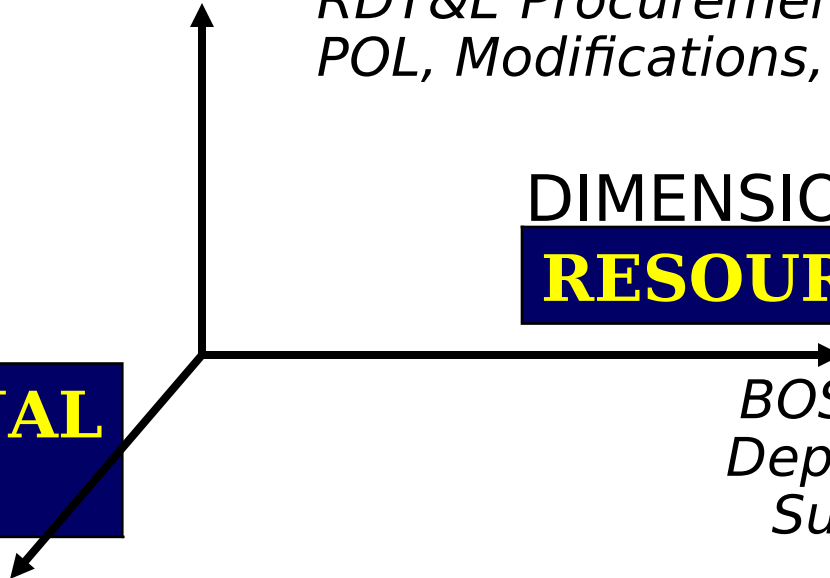
**RESOURCES TO OPERATE**

*BOS, Transportation,  
Depot, Infrastructure,  
Support/Munitions  
Systems*

DIMENSION 3

**OPERATIONAL  
CONCEPTS**

*Logistics Cycle Time,  
Doctrine, Force Structure,  
Reach-Back, Footprint*



# **DIMENSION 1**

## **WEAPON SYSTEM PERFORMANCE & DESIGN**

### *PILOT PROGRAMS TEST INITIATIVES IN:*

- A VARIETY OF DIFFERENT ACQUISITION CYCLE STAGES
- SPACE BASED, MISSILES & AIRCRAFT SYSTEMS
- COST TOOLS, METRICS & INVESTMENT STRATEGIES

# *R-TOC PILOT PROGRAMS*

- B-1
- KC-135
- F-16
- AMRAAM
- SBIRS
- F-117
- AWACS
- Cheyenne Mountain
- JSTARS
- C-17
- Next Generation Small Loader

## **DIMENSION 2** **RESOURCES TO OPERATE**

### *INSTALLATION PILOTS*

- EXAMINE THE INFRASTRUCTURE COSTS TO SUPPORT WEAPON SYSTEMS
- INCLUDES AREAS SUCH AS MEDICAL, SECURITY, BASE OPERATIONS

# *INSTALLATION PILOTS*

- 5 AIR COMBAT COMMAND BASES
  - » MOUNTAIN HOME AFB
  - » SEYMOUR-JOHNSON AFB
  - » ELLSWORTH AFB
  - » NELLIS AFB
  - » HOLLOWMAN AFB

## **DIMENSION 3**

### **OPERATIONAL CONCEPTS**




# ***CROSS-CUTTING PROCESSES***

- EVALUATE OPERATIONAL CONCEPTS TO DETERMINE IMPACT ON COSTS
  - AGILE LOGISTICS
  - 2 LEVEL MAINTENANCE
- STRATEGY LINKS WEAPON SYSTEM BASED REQUIREMENTS TO COST
  - LINK WARFIGHTER CONCEPT WITH BUSINESS BOTTOM LINE APPROACH

# *SUMMARY*

- TOC MUST BE CONTROLLED/ REDUCED
- STRATEGY: MAKE TOC OPERATIONAL ATTRIBUTE
- ADOPT SYSTEM OF SYSTEMS APPROACH TO STRATEGIC COST MANAGEMENT
  - QUANTIFY AND LINK OPERATIONAL VALUE AND COST REDUCTION POTENTIAL
  - INCREASE “BOTTOM LINE” SENSITIVITY TO WARFIGHTING FOCUS

# *CONTACT INFORMATION*

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